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# An \$8.5M investment in '05 turns into a \$20M sale in '06

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Two Seattle companies, Kauri Investments and Ariel Development, have turned an \$8.5 million investment in a Sodo warehouse into a \$20 million sale in a little over a year.

Photo courtesy Kauri Investments

The building was vacant, ugly and outdated. After an upgrade and repositioning, it being leased to smaller users.

The companies sold the 282,000-square-foot Port 106 warehouse to 4746 Ohio LLC. The LLC's general partner is Seattle-based American Life Inc., according to Kauri CEO Kent Angier. The property is at 4746 Ohio Ave. S.

Kauri and Ariel bought the 1941 building, which had been used as an industrial warehouse, for \$5 million in March of last year, Angier said. It was vacant, ugly and "antiquated," he said. It also had outgrown its usefulness for large industrial users because the ceilings were too low and the columns were too close, said Angier.

Kauri put \$3.5 million into the structure, he said. That included removing asbestos flooring, adding new siding and installing new roll-up and man doors, energy-efficient lights, insulation and gas heat.

The other important thing the companies did, Angier said, is to think outside their large warehouse box. Since they figured it wouldn't work for today's large users, they split it into smaller spaces of between 2,400 and 43,200 square feet.

After the changes, "it worked real well for a small manufacturer or small warehouse," said Angier.

Renovations are almost complete and the building is now about 50 percent leased, with several large leases in negotiation, he said.

Tenants include Henrybuilt, Bamboo Hardwoods, Pacific Shipping Co., American Gaming, Pacific Terminals, Vertical World and New Beds for Less.

Angier said Kauri and Ariel are pleased with their return and with what they did with the building.

"The buyer paid a fair price based on the income stream from the

building. We've demonstrated that it can be leased at higher rates based on the (smaller and revamped) spaces," he said.

Rents are now in the 55 to 85 cent per square foot range, he said, higher than could be achieved if the building were set up for a much larger user.

Tony Kusak, an industrial specialist with Cushman & Wakefield, said the appetite for real estate investments continues to be great due to the strong Puget Sound economy.

"That is the dynamic that is fueling prices like this and it sounds like the owners were able to find an opportunity and reposition it for a nice profit," he said.

He said Sodo is a "known commodity. It's a tried and true industrial market" and a key location for companies that want to serve the greater Seattle area.

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